

**CUSC Alternative Form – Non Charging**

# CMP435 Alternative Request 4:

**Overview:** The proposal below is a fairer and more balanced approach that will ensure a reduction of TEC Queue, whilst also enabling a sensible transition period to enable roll-out of viable renewable energy projects, in order to reach the UK Net Zero targets.

**Proposer:** Orron Energy Development Ltd.

☒ I/We confirm that this Alternative Request proposes to modify the non - charging section of the CUSC only

**Guidance for Alternative Proposers**

**Who can raise an Alternative?** Any CUSC or BSC Party, or Citizens Advice can raise an Alternative Request in response to the Workgroup Consultation.

**How do Alternative Requests become formal Workgroup Alternative Modifications?**

The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current version of the Code, the Workgroup will develop it as a Workgroup Alternative Modification.

**Who develops the legal text for Alternatives?** ESO will develop the Legal text for all Workgroup Alternative Modifications and will liaise with the Alternative Proposer to do so.

## What is the proposed alternative solution?

### Overall comments on CMP 434/435

A recurring question during the grid reform process has been how the interests between (i) reducing the queue; and (ii) enabling more renewable energy projects to connect would be balanced. Our impression of CMP434 and 435 is that the latter (connect more renewable energy projects) has been de-prioritised for the benefit of the former (reducing the queue). We firmly believe that it is possible to achieve both through making some adjustments as set out in this policy response. We do hope that the focus is still on achieving the ambitious UK renewables energy targets and that the grid reform will reflect that ambition by ensuring that serious projects are given the possibility to connect as early as possible and that a clear of sight on connection locations, dates and process are provided early enough in the grid connection process. We note that this is the third system proposed to enter into force during the last three years; stability and predictability are key to ensuring the continued and required capital investments into the UK energy system. Therefore, it is important that developers and the wider industry get sufficient time to adapt to this new overhaul of the grid connection process.

The main obstacles for developers in bringing more renewable power generation to the grid has been: long connection queues, unknown grid dates, unknown grid connection locations as part of the grid offers and high grid security requirements. It is encouraging to see that some of these issues are recognised and that efforts are made to address at least some of them. However, we believe that a few items have not been properly addressed. As a developer, we need to choose where we start our development activities. Early on, we took the decision to start with securing grid to be able to invest in further development efforts. We did so at a cost and exposure to the company to be able to develop the projects in the order of the grid dates received. Development efforts have then been focussed on the grid connections with earlier grid dates and known grid connection locations.

The proposal, if adopted in its current form, will have severe consequences for our ability to bring these projects to fruition despite meeting all relevant development milestones of all our projects, and despite a clear line of sight in realising each of our projects by the energisation dates. Again, we wonder how such a proposal (which we do not yet know if it will be implemented and in what form) will benefit enabling more renewable energy projects to connect. Whilst we support part of the amendments, it is important that CMP 435 sufficiently addresses the transitional period for developers who have invested time and money based on their accepted grid offers, have developed the projects to meet all relevant development deadlines but where, due to grid dates 2030 onwards, may not fully fulfil the criteria to reach Gate 2 by 31 January 2025. There must be sufficient time allowed for developers who are serious about developing their projects between the date when the contents of the reform are confirmed (still not there) and the date when they effectively lose their place in the queue. The proposal cannot grant a select few, with insight in the process, a clear advantage over other developers and market participants. In order to also ensure that the goal of reducing the queue is achieved in the near term (whilst retaining the focus on achieving the renewable energy targets), interim milestones can be imposed as proposed below. We suggest that all existing firm grid connections transfer to Gate 2, where they will quickly disqualify as such over the succeeding 12-24 months (from confirmation on the contents of the grid reform). There cannot be a window of only a few months between confirmation of the contents of the reform (assume this will be communicated this fall without delays) and cut-off for meeting Gate 2 criteria, whereas parties involved in the workgroup process will have known where this has been (and is?) heading for months already.

In a healthy system, the developer will get an indicative grid offer where it can trust the information (connection date, location and security profile), provided the project is developed without undue delays (with such delays to be assessed based on typical project development process and factoring in the grid

connection date and size of the project). In addition, the Gate 2 offer, which should in the new process align with the Gate 1 offer (or grid offers under current regime) unless there are undue delays between the two gates, is received early in the process to avoid ~~that~~ developers waste efforts on projects that are not due to receive reasonable grid offers. For a number of our existing grid offers, we have received grid dates without a precise grid connection location, with some projects having in excess of an 80km potential connection distance, hampering our ability to spend resources on securing land as we do not know where to secure the land. For this very reason, we propose some changes to the CMP/434/435 that we believe will achieve the goals in (i) reducing the queue and (ii) getting more renewable capacity connected to the grid.

1. Gate 1 offers should clearly define location of the connection point. Where a precise location is not possible, a connection point within a 5 km radius should be committed to by the ESO.
  - a. Known project locations will enable investment and will increase ability of developers to take renewable projects to COD. Increased certainty will also increase the pace of development, with less risk around the connection results in an ability to spend more the project.
2. Gate 1 offers should provide an indicative grid date and security requirements with a high degree of accuracy, provided development milestones between Gate 1 and Gate 2 are met without undue delay.
  - a. Known grid dates will take uncertainty away and will also show developers which projects to focus on and when.
3. Existing grid connections should be given sufficient time following the grid reform to qualify for Gate 2.
  - a. This can be achieved though extending the deadline proposed (31 January) by 12-24 months from the date when the approximate grid connection location is confirmed, potentially with interim milestones of e.g. heads of terms/exclusivity agreements secured, partial land under option/lease etc.
4. Reaching Gate 2 should not be an "all or nothing" construct. Partial success on the land side should allow for partial advancement of projects to Gate 2. This will both reduce the queue and bring additional renewable capacity online quicker with increased certainty for developers.
5. Incentivise larger projects and do not provide undue advantage for some technologies, such as offshore wind.
  - a. Land secured is the same milestone for all projects despite projects having different challenges to reach energisation. Apart from permitting, land is the biggest challenge for onshore renewable projects. For offshore wind projects most challenges lie way past the "land secured point" (cost, technology, project design, procurement and funding). We have seen this numerous times, where existing permitted offshore wind projects get cancelled due to weak project economics, whereas this very rarely happens for onshore renewable projects. The current reform clearly benefits offshore wind projects over onshore renewable projects where the latter brings cheaper energy to UK households. Having this skewed process will risk that onshore renewable projects are never developed due to long dated grid connections caused by offshore wind projects that in turn will never be constructed based on weak economics or other challenges. The new grid connection process should have the ambition to be technology agnostic and not provide undue benefits for technologies that will in the long-term result in higher cost for the end consumers.

## Specific input for the various elements

### Element 2:

We suggest at least two application windows per year for Gate 1 and 2 processes.

### Element 3:

For ongoing step 1 or step 2 offers, given the significant proposed connection reform process, it seems that currently the best way to manage these is to extend the acceptance period until it is clear what will happen with the location and associated grid security as part of the connection reform. We suggest that [NGN](#) ESO

extends all offer acceptance deadlines to the date when CMP 434/435 enters into force or alternatively reduce securities to zero for today's equivalent of Gate 1 offers.

#### Element 4:

NESO has to provide clarity on alternative processes to connect projects through Mod\_aApps. If the goal is to increase renewable power generation, there should be incentives for projects reaching milestones towards Gate 2, e.g. 50% of a Gate 1 application can be progressed to Gate 2 without losing the grid connection date and location. This should be reflected in how Mod\_Aapps are treated under both Gate 1 and Gate 2. Please also refer to our reply on Element 11 and how [ModappMod AppsMod Apps](#) are treated in relation to Gate 2.

It is not clear what a Significant [ModappMod App](#) is, and further guidance should be provided. We propose that Significant [ModappMod AppsMod Apps](#) are only applicable to Gate 2 projects.

#### Element 5:

The reform is heavily weighted towards prioritising offshore wind projects. The ambition of the reform should be to connect renewable energy projects agnostic of technology and not provide advantages to one technology over another. Land and permit are (other than grid) the largest obstacles to be able to successfully develop onshore renewable projects to COD.

For offshore wind projects, there are a range of challenges that only arise after securing land, given the comparably higher cost of construction and all complexities associated with offshore wind development and construction projects, and as such, it does seem as if ~~the~~ NESO prefers offshore project in solely requiring land for offshore wind projects to be able to move to Gate 2.

We suggest that Gate 2 application for offshore wind projects come later given longer development lead times and longer construction and development timelines with significant uncertainty during the process. We also suggest that additional requirements are imposed for offshore wind projects as these tend to be delayed and face many more challenges prior to reaching FID following the "land secured" milestones.

We also believe NESO should have different % of land required for offshore wind and onshore renewable projects to avoid offshore wind projects that may never be realised, stopping onshore renewable projects connecting.

#### Element 8:

It is not clear to us how this would apply to existing grid connections with connection dates towards 2037/2038 but enough time has to be given to fit the development programme for these longer date grid connections.

We suggest that extension times for existing connection offers, should be sized according to the current offered connection date.

#### Element 9:

It is currently unclear which connections that would be subject to project designation and fast track process, and we suggest that guidance is provided with tangible criteria to help developers prioritise the connections and projects that are most beneficial to all parties.

#### Element 10:

Element 10 talks about not creating circularity in the offshore wind projects but do not seem concerned about doing that for onshore renewable projects.

'In the Proposer's view this is required to avoid a circularity where such projects are unable to reasonably meet the Gate 2 criteria until they know their confirmed connection point (more so than any other project type due to the nature of such projects and the large number of possible connection points) and are unable to know their connection point until they have met the Gate 2 criteria.' – why doesn't this apply to onshore renewable projects? We strongly propose that any capacity reservation, rather than being technology specific, is size (MW) specific, allowing more complex projects the same ability to reserve capacity.

We also propose that any connection point is within 5km of the original connection offer for onshore renewable projects.

## Element 11:

### 11.1 Gate 2 Criteria:

We are now in August of 2024, with the proposal planned to take effect in January 2025. We are aware that numerous market participants have been part of the advisory group and have had additional access to information on what the reform may entail earlier than other participants. As such the transition times proposed to move existing connections to Gate 2 are too short and will benefit developers having been part of the wider grid reform process.

To provide a level playing field for all developers active in the market, the timelines must be longer. Either the 31 January 2025 deadline to move projects to Gate 2 is prolonged (i.e. existing grid connections are automatically Gate 2 but will be removed over a period of 12/24 months after the reform is in place to ensure symmetrical information to all market participants); or alternatively the proposal can incorporate additional milestones to ensure that existing connections remain Gate 2 connections for a period of time during a longer transition period, see a proposal below.

The current proposal will lead to increased uncertainty for developers and will reduce the renewable power generation deployed. We suggest that the criteria to secure 100% land is prolonged at least 1 year, provided tangible results are achieved along the way, with different periods depending on current connection date. In addition, we suggest that Gate 2 should not reflect an "all or nothing" approach. Under the proposed construct a 1,000 MW project with 50% land secured would drop out of the queue as it will be unable to reach gate 2. A better way to manage the grid congestion whilst providing incentives for tangible projects would be to for such a project offer either:

- (i) a reasonable extension to secure 100% land required for the project, where reasonable takes into account the current connection date, i.e. within or above 10 years from the date of implementation; or
- (ii) proceed with 50% of the project (with an option to either keeping the remaining 50% as Gate 1 or drop the remaining 50% entirely). We suggest the following milestones and prior to each milestone the developer may reduce the capacity that is "reserved" under Gate 2.

This will provide strong incentives to take projects forward, will provide predictability for developers and will increase renewable energy deployment whilst reducing the grid queue. Our proposed milestones below, should apply from the earlier of (i) grid connection location being confirmed within a 5km radius; and (ii) 1 January 2025, where the connection date is within 10 years:

- Within 6 months: 30% land under heads of terms (or other exclusivity arrangements).
- Within 12 months: 100% land under heads of terms or 30% under binding land agreements.
- Within 24 months: 100% land secured under binding land agreements

In addition, no Gate 2 offers should be subject to securing land for the cable route.

### 11.2 Gate 2 – Ongoing Compliance

Any milestone should reflect typical development timelines as this is not the case in current contracts. Current contracts should also be amended to reflect typical development timelines, e.g. the time it takes for a DCO to be granted following application.

Also, we propose that the security requirement should be put back to zero should the developer lose the Gate 2 classification. If moving back from Gate 2 to Gate 1, we propose that the developer does not pay the TEC penalty for ~~Modapp~~[Mod Apps](#) if the reasoning was outside of the developer's reasonable control.

### 11.3 Ongoing Gate 2 Compliance – Land Requirements

If part of the secured land is removed or otherwise unavailable as a result of the permitting process, the developer should be allowed to reduce the capacity without losing the Gate 2 classification.

We would propose that any dates are worked backwards from the connection date. This could be project specific due to MW's and construction timelines, with some outline standards for different power levels, e.g. 1000MW, 750MW, 500MW etc.

In the provided Example 1, no TEC reduction charge should be applied.

#### Element 13:

Red line boundaries should be allowed to overlap between connection points where the same amount of land could potentially be connected two separate connection points. In such a scenario, the developer shall, upon receipt of both Gate 2 offers, elect which one to keep, as it may be necessary to have separate connection application given the potential for the ESO to move connection points to new locations per element 14.

#### Element 14:

There are three grid issues that impact project viability: connection date, location and security requirements.

In terms of the location, ideally connection points do not move between Gate 1 and Gate 2, since moving connection points will have a significant adverse impact on the possibility to bring new onshore renewable capacity online. In addition, all Gate 2 offers should clearly define a connection point within a maximum of a 5km radius of the Gate 1 offer.

If the location of a connection point does move, the current CMP proposal does not sufficiently address developers' challenges which will adversely impact the amount of new renewable capacity that will be connected. All available measures should be taken to avoid moving connection points. If a connection point is moved, it is likely that a developer will have to restart the full development programme.

Securing land can easily take more than 12 months and the developer will have already spent time and resources securing sufficient land on the Gate 1 connection location when the connection point is moved. For scenarios with such extreme consequences for developers (e.g. the existing project has to be abandoned and a new project started from scratch), the developer should be granted at least 18-24 months to secure land in a new location. Otherwise, it is likely that only offshore wind projects will be able to meet Gate 2 when a connection point is moved, and less renewable power will be connected.

When a location is moved, security requirements should never be higher than on the original connection point.

Furthermore, a security estimation (s-curve) should be provided at the Gate 1 offer stage.

Finally, we propose that the connection date should not move between a Gate 1 offer and a Gate 2 offer, if a project reaches Gate 2 within 12 months of the acceptance of the Gate 1 offer.

### What is the difference between this and the Original Proposal?

All of the key differences are outlined in the text above

### What is the impact of this change?

Proposer's Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	<b>Positive:</b> The proposal will enable more viable/advanced projects to continue to develop in a meaningful way, allowing UK to reach net zero targets at earliest opportunity
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	<b>Positive:</b> The proposal <u>ensureensures</u> that those who have been part of the Workgroup are not unfairly advantaged over those outside of the work group
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>None:</b> [Please provide rationale]
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>None:</b> [Please provide rationale]
*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	



When will this change take place?

Implementation date:

Timings outlined under Element 11 above.

Implementation approach:

Approach outlined above.

Acronyms, key terms and reference material

Acronym / key term	Meaning
<a href="#">COD</a>	
<a href="#">DCO</a>	
<a href="#">ESO</a>	<a href="#">Electricity System Operator</a>
<a href="#">FID</a>	
<a href="#">TEC</a>	

Reference material:

- 1.